



August 10, 2010

The Honorable Philip Giudice
Commissioner
MA Department of Energy Resources
100 Cambridge St., 10th Floor
Boston MA 02114

Dear Commissioner Giudice:

Thank you for the opportunity to submit these comments on the ***Biomass Sustainability and Carbon Policy Study*** by the Manomet Center for Conservation Sciences, and on EOEAA Secretary Ian Bowles' policy recommendations in response to this study, as reflected in his letter of July 7, 2010.

Founded in 1992, New England Wood Pellet is a manufacturer and distributor of wood pellet fuel, with plants in NH and NY. Our primary retail market is central New England, including Massachusetts. We source our plants with wood waste residuals purchased from sawmills and secondary manufacturing plants including furniture, flooring, cabinetry and millwork factories. Some two dozen of our wood waste suppliers for our Jaffrey NH plant are located in MA.

We believe advanced biomass fuels such as wood pellets and refined wood chips hold tremendous promise in helping alleviate New England's reliance on oil as the primary heating fuel in residential, commercial and industrial buildings. With the potential for significant growth in this market, we have taken an active interest in constructing a state-of-the-art, sustainably sourced wood pellet plant in MA. Thus we take interest in matters of policy related to the use of biomass for energy in MA.

General Comments on Manomet Study

We commend the MA DOER for undertaking the study, and the Manomet team for providing an important and provocative response the MA DOER scope. The study has prompted broad reconsideration of the traditional view that biomass energy is carbon neutral.

It seems clear from public reaction to the release of the Manomet study and the comments that have been submitted to date that there are widely divergent views on the carbon accounting methodology employed in the study. Valid and constructive concerns have been raised from a variety of perspectives that need to be carefully considered. The assumptions made as the basis for the carbon accounting methodology need to be peer-reviewed.

This is important and necessary now because Secretary Bowles appears to be putting the cart before the horse with his July 7 policy directive. On the one hand he has asked MA DOER to undertake a “transparent and robust public process” in modifying regulations regarding renewable energy policy, but on the other hand he has issued in his letter a very rigid edict on what form and shape these changes must take – apparently based only on the results of the Manomet study.

At the very least, it seems prudent for the State of Massachusetts to engage a broader array of input on the question of proper carbon accounting for biomass energy, and seek a scientific consensus of credible sources before you implement significant changes to policy based on the results and conclusions your advisors reach.

Policy Recommendations

From our perspective in the biomass thermal industry, the report raises one very important conclusion that we have been advocating for some time:

- In using biomass, biomass for heat and cogeneration is the use that is most efficient in reducing greenhouse gas emissions over time compared to fossil fuels. Using biomass for electric generation has a slower payback period, taking longer to show carbon-emission benefits.

As a side note, we are convinced that the carbon dividends for biomass thermal and cogeneration would be much greater if the fuels are sourced from biomass residuals such as sawmill dust/chips and secondary manufacturing waste used in our pellet manufacturing. Unfortunately, the scope of the study did not direct Manomet to evaluate these feedstocks. We are pleased that Secretary Bowles’ letter directs MA DOER to address this oversight in developing its new regulations.

Much of the July 7 letter is focused on a structure for changes to the Massachusetts Renewable Portfolio Standard for electric power generation. This is understandable as the MA RPS is the foremost policy vehicle to implement renewable energy and greenhouse gas reduction mandates. It is also understandable given that much of the public controversy that prompted the Manomet study in the first place was the result of multiple large-scale biomass electric generating facilities being proposed simultaneously in western MA.

We support Secretary Bowles’ focus on efficiency, and minimum efficiency requirements to qualify for Renewable Energy Certificates (RECs) under the MA RPS. In this regard we believe strongly that every effort should be made to utilize waste heat generated by electric power generation from biomass. Incentives are needed for biomass combined heat and power. We suggest inclusion in the new regulation of a provision authorizing the awarding of RECs for the thermal output from biomass combined heat and power, and a “telescoping REC multiplier” such that the higher the total output efficiency, the higher the REC multiplier. This will create a powerful incentive for project developers to aspire to the most efficient technology available, e.g. “heat-led” CHP through organic rankine cycle engines. The effect of incentivizing CHP will also by necessity dictate much smaller, “community-scale” projects as developers seek to fully utilize thermal outputs. This fact alone will address many concerns about sustainability of resources, and also build stronger connections between communities and the heat and power on which they and their citizens and businesses depend. Language enacting such an

incentive was passed by the US Senate Energy and Natural Resources Committee in S. 1462 in May 2009. I have included this language as an attachment to this letter.

With respect to straight thermal, there is little discussion or direction in Secretary Bowles letter, yet the Manomet study showed that the greatest carbon reduction benefit comes from the efficient clean combustion of biomass in displacing heating oil. Section 2 (page 3) of Secretary Bowles' letter seems to suggest that minimum greenhouse gas emission reductions of 50% within a 20 year period will apply to any system that displaces fossil-fuel fired thermal energy. While the primary focus of this section is again on power generation, this language seems to extend this strict mandate to thermal-only systems as well. The determination of whether a technology meets this threshold will be based on lifecycle greenhouse gas emissions from "a method for calculating and comparing such lifecycle greenhouse gas emissions based on the best available science and data." Once again Secretary Bowles seems to be putting the cart before the horse. We have no way of knowing if the threshold is technically feasible or achievable until we know what the lifecycle analysis will be. Would it not make sense to withhold judgment on the minimum threshold until a broad public consensus has been achieved on the appropriate lifecycle analysis?

The fact is MA is highly dependent on heating oil, and propane derived from petroleum, for residential, commercial and industrial heating (much of it imported from foreign countries). While compliance with the Global Warming Solutions Act (GWSA) is the major driver of this policy initiative, **there are other equally important public policy goals that should not be ignored** – notably energy security through less reliance on foreign oil, economic development and JOBS, reduction of sulfur and mercury emissions, promotion of viable ownership and management of forestlands in MA, and retention and recirculation of billions annually of fuel dollars in the MA economy.

We urge MA DOER to please consider a full range of policy drivers to encourage the use of sustainably sourced biomass fuel in the efficient and clean production of thermal energy.

For example, we urge consideration of a **"Thermal System Benefits Charge"** structured similarly to conventional system benefits charges that apply to electricity and natural gas sales, and from which revenues are generated to support energy efficiency and renewable energy incentives. A Thermal SBC would apply to the sale and distribution of heating oil and propane within MA. We have developed a white paper describing such a mechanism for a study of thermal renewable energy incentives undertaken by the NH Office of Energy and Planning and released in December 2008. I have attached both the Thermal SBC white paper and the NHOEP report for your consideration.

New Hampshire is the first state in the country to provide a residential consumer rebate for high efficiency, fully automated biomass boilers. The purpose of this rebate is to catalyze market transformation for these advanced combustion systems that are widely deployed throughout Europe, and help consumers overcome the comparatively high initial capital cost. In order to qualify for the 30% (max. \$6,000) rebate, these systems must meet minimum efficiency requirements of 85% and minimum emissions thresholds. The rebate is funded with ARRA stimulus funds. There are on-going discussions in NH about how to extend funding for the rebate after ARRA funding ends. Massachusetts might well consider income or sales tax credits as an incentive to invest in new advanced combustion technology. I have attached information regarding the rebate program.

Finally, we ask MA DOER to urge Northeast States Coordinated Air Use Management (NESCAUM) to reconsider its apparent decision to exclude heating fuels from consideration in a regional Low Carbon

Fuel Standard (LCFS). The State of Massachusetts is clearly serious about reducing greenhouse gas emissions, as evidenced by passage of the GWSA. The RPS addresses this challenge for GHGs from electric production; the LCFS does so for transportation. As yet there is no serious policy framework to address GHGs from energy used in heating, which accounts for over 30% of all GHGs in MA according to the state's baseline inventory completed in July 2009. It does not make sense to us to develop a LCFS that applies to diesel fuel, when fuel oil consumption (the distillate equivalent of diesel fuel) across the region is greater than all diesel fuel consumption! Massachusetts has considerable influence with NESCAUM; we hope you will use it to request that this issue be revisited.

We thank you for the opportunity to comment on these important policy matters. New England Wood Pellet is a progressive company, committed to the sustainable use of biomass resources to address the region's energy and climate policy challenges. We look forward to working with MA DOER to address these issues.

Sincerely,



Charles R. Niebling
General Manager

Attachments:

- 1) "Thermal REC" language from S. 1462
- 2) Concept paper on "Thermal System Benefits Charge"
- 3) NH Office of Energy and Planning Report on Thermal Renewable Energy (Dec. 2008)
- 4) Information on NH high efficiency residential biomass boiler rebate program

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